



*“Turning Possibilities into Realities”*

2010 “TOGETHER, READY FOR THE FUTURE”...

Newsletter No. 09 of 2010 by TESS in accordance to Article 7 Section 3 of its Constitution.

## **Calculated Risk**

*The extra mile...*



*“Only those who risk going too far can find out how far one can go”*

*Thomas Stearns Eliot  
(September 26, 1888 – January 4, 1965)*

# How to Play Risk

...for greatest rewards ...and fewest dangers



A high-risk lifestyle is a stressful one, and it's been established that stress causes increased vulnerability to a variety of illnesses.

However, taking risks fairly regularly is the only way to profit from opportunities, to become successful in your personal and professional lives...and to evolve as a human being. People who take no risks live stagnant, dull lives.

In order to take risks, you must have a strategy to choose risks that maximize the possibility of benefit and minimize the likelihood of catastrophe.

## WHAT IS RISK?

Risk isn't excitement or adventure...it isn't the probability of success. *Risk is the measure of the probability of failure* – and that increases with the size of the investment. That's why risk is so frightening – it involves the possibility of loss.

**Example:** Many people consider marriage a risky venture – and rightly so, considering the divorce rate and the investment in emotion, time, energy and money.

## AVOIDING CATASTROPHE

Before taking any risk you have to define and limit possible disasters.

**Purpose:** To determine how much risk you're willing to take in order to collect the possible benefits.

A lot of anxiety disappears once you know your maximum investment.

If you think travelling on vacation is a possible route to disaster, think about what could go wrong and figure out how to prevent it. Avoid wishful thinking and denial. Some people simply assume their vacations will be wonderful. Then they're disappointed when things go wrong.

**Example:** I don't take the risk of going on relaxing tropical vacations because I don't like getting sunburned. I've solved the problem by taking working vacations in the tropics – I can be indoors all day and enjoy the balmy breezes in the evening.

People perceive entrepreneurs as being the biggest risk-takers. But *successful* entrepreneurs

carefully avoid risks that could be catastrophic. That's one difference between them and gamblers.

**Example:** A classic feature of many entrepreneurs' success stories are that they took the risks that paid off soon after they had failed at something else.

Failure presents an opportunity for taking risks. Conversely, if things are going really well, the more conservative entrepreneurial strategy make sense – test the water...invest *some* resources, *some* time and energy, but not so much that you lose what you already have.

**Example:** If you have a successful career but are bored and want to try something else, test new options for a few hours a week without giving up your current job.

## STRESS AND RISK

Stress-related vulnerability to illness has a number of components, but loss is a major one. Because risk involves the possibility of loss, I encourage people to avoid piling up the risk of too many different kinds of loss at the same time.

**Example:** Many couples in their twenties and thirties think it's reasonable to get married, move to a new city, change jobs, buy a house and have a baby all within the same year or so. This is absolutely crazy. Each of these moves involves major risk.

**Recommended:** Don't bunch up risks. Divide them. Newlyweds could stay in the same town with the same jobs while working out the issues of the first year of marriage – then relocate. Or they could postpone having kids until their jobs have changed and relocation settled.

The same advice is true for financial risks.

**Example:** During the high inflation of the 1970s, a man thought he would maximize his leverage by borrowing all he could, holding as little cash as possible and investing all his money in assets that included a resort condo and a jet plane. The venture ended in catastrophe. His loans were called, and he spent a long time selling off assets and working just to keep his head above water.

## WHAT'S YOUR RISK TOLERANCE?

People who claim they're not taking risks are kidding themselves...they risk losing opportunities and living a boring life. These people should think about how much risk they can tolerate.

**Ask yourself:** Would my life be materially changed if I took this or that risk and it worked out as badly as possible? Really think it through, and get a clear picture of how much risk you could take without facing unacceptable losses.

**Example:** If your time is tight, maybe you could handle a risky new project that would take 10 hours a week – but you couldn't handle 20 hours.

Risk tolerance varies from person to person. To determine yours, do a self-evaluation inventory. List the kinds of risks you've taken in the past. Include the risk of losing money...making a commitment...being rejected...losing power and independence...being overwhelmed by others' demands and expectations...not being taken care of... being attacked physically or emotionally.

**Ask yourself:** What experiences have I had with this type of risk? Have I had any failures? What was that like? Was it really bad or not so bad? When did it happen? Could I handle that failure better now??

**Standard risks:** Investments, marriage, divorce, new job, new home, new hobby (stamps, money), new friend, new car, new sport, new diet...

Some experiences generate anxiety when you're young. And later in life, when a similar experience arises, the old fear returns.

The point of the inventory is to see what risks you've taken and how they worked out. Use it to evaluate how much risk you can take simultaneously in each area without creating a potential catastrophe. Take your vulnerability – physical and emotional – into account.

## BEFORE YOU TAKE THE PLUNGE

If you're considering taking a new risk, talk with someone who has taken a similar risk to get a sense of what it's like. Try to find out whether you have enough experience to go the distance. Are you signing on to be a three-mile runner in a three mile race...or a three mile runner in a marathon?

Consider the hidden risks in any situation. They open up most often during life's transitions, and factors you overlooked or discounted can be crucial.

**Example:** A relationship goes through enormous changes when one of the partners stops being a student and starts working 60 hours a week.

Martin G. Groder,  
MD, psychiatrist and business consultant in Chapel Hill,  
North Carolina



## BOTTOM LINE

### Dave Pelzer's Life Lessons

From a man who knows...

## WHEN FIGHTING TO MAKE YOUR LIFE BETTER, GIVE YOURSELF THE CREDIT YOU DESERVE

You may not even realize or may have forgotten that you have already accomplished a great deal in your life. Remember, the smallest things can make a world of difference. And a little bit of struggle is not a bad thing. Take a moment. Ask yourself, *what have I accomplished?*

Give yourself the credit you deserve, and instead of contaminating yourself by saying what you can't do, ask yourself what can you not accomplish when you truly commit to that one thing?

I have the highest respect for anybody who knows what they want and at least tries, even if it's against all the odds, to better themselves. Win or lose, they take a few hits, they fall down, but they get up from the mat, battered and bruised, they brush themselves off, tap into their inner selves and give it what they've got. That's what counts.